



## RESOLUTION NO. U-11482

1 A RESOLUTION related to Tacoma Power, amending Chapter 12.06 of the  
2 Municipal Code, Electric Energy – Regulation and Rates, by modifying  
3 Schedule Electrofuel Service Pilot (Schedule EF), Section 12.06.373 of  
4 the Tacoma Municipal Code, effective January 1, 2025.

5 WHEREAS the City of Tacoma, Department of Public Utilities, Light  
6 Division, (“Tacoma Power”) implemented Tacoma Municipal Code (“TMC”)  
7 12.06.373 Electrofuel Service Pilot (“Schedule EF”), by Public Utility Board  
8 Resolution No. U-11206, effective on April 1, 2021, and

9 WHEREAS Schedule EF is a pilot program limited to 65 MW of total load  
10 to serve customers who use a large quantity of electricity to produce hydrogen  
11 fuels, and

12 WHEREAS currently, there are not any customers using Schedule EF,  
13 and

14 WHEREAS the power market dynamic has changed since the  
15 implementation of the pilot program in 2021, and

16 WHEREAS the current incremental costs of serving a new large electric  
17 load, especially the cost of supplying them with a large amount of carbon-free  
18 power, is exceedingly high, and

19 WHEREAS if Tacoma Power continues to offer Schedule EF under the  
20 existing rate structure, the large incremental cost caused by customers under  
21 Schedule EF will lead to substantial rate increases for all existing customers,  
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WHEREAS the addition of such a large load can potentially cause system-wide capacity shortages in some months, jeopardizing Tacoma Power's resource adequacy, and

WHEREAS in order to avoid cost shifting and ensure resource adequacy, Tacoma Power proposes to modify Schedule EF to align it with Schedule Very Large Load ("VLL") which is designed for customers with a load requirement of 10 average megawatt or more over any consecutive 12-month period, and

WHEREAS under Schedule VLL and the modified Schedule EF, large load customers will pay for the costs of new resources dedicated to their use, and

WHEREAS the power supply rate will be based on the incremental cost of serving these customers, and

WHEREAS as for the power delivery and customer-related rates, Tacoma Power will charge the same delivery charge and customer charge as the otherwise applicable rate schedules based on the system average cost, and

WHEREAS this modification is consistent with the cost-causation principle in rate making, and

WHEREAS, in addition, under the Schedule EF, demand response programs will be offered to EF customers that can be better tailored to their operation, and

WHEREAS the interruptibility requirement under the current Schedule EF is too stringent for most, if not all, potential customers, and



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WHEREAS Tacoma Power desires to amend Chapter 12.06 of the

Tacoma Municipal Code, Electric Energy - Regulations and Rates, by modifying  
Section 12.06.373, Electrofuel Service Pilot (“Schedule EF”); Now, therefore,

BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

That the Public Utility Board approves the amendment of Chapter 12.06  
of the Tacoma Municipal Code, Electric Energy - Regulations and Rates, by  
modifying Section 12.06.373, Electrofuel Service Pilot (“Schedule EF”) and  
attached as Exhibit A, effective January 1, 2025, and the Council of the City of  
Tacoma is requested to concur by enacting an ordinance as adopting the  
changes set forth in Exhibit A in a form approved by the City Attorney’s Office.

Approved as to form:

_____	_____
/s/	Chair
Chief Deputy City Attorney	Secretary
_____	Adopted _____
Clerk	



## Board Action Memorandum

**TO:** Jackie Flowers, Director of Utilities  
**COPY:** Charleen Jacobs, Director and Board Offices  
**FROM:** Ying Hall, Section Manager, Power Utility  
Chris Robinson, Utilities Deputy Director, Power Superintendent  
**MEETING DATE:** October 23, 2024  
**DATE:** October 11, 2024

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### **GUIDING PRINCIPLE ALIGNMENT (select as many that apply):**

Please indicate which of the Public Utility Board's Guiding Principle(s) is supported by this action.

- |  |  |
|--|--|
| <input type="checkbox"/> GP1 – Diversity, Equity, Inclusion, Belonging | <input type="checkbox"/> GP8 – Telecom               |
| <input checked="" type="checkbox"/> GP2 – Financial Sustainability     | <input type="checkbox"/> GP9 – Economic Development  |
| <input checked="" type="checkbox"/> GP3 – Rates                        | <input type="checkbox"/> GP10 – Government Relations |
| <input type="checkbox"/> GP4 – Stakeholder Engagement                  | <input type="checkbox"/> GP12 – Employee Relations   |
| <input type="checkbox"/> GP5 – Environmental Sustainability            | <input type="checkbox"/> GP13 – Customer Service     |
| <input type="checkbox"/> GP6 – Innovation                              | <input type="checkbox"/> GP14 – Resource Planning    |
| <input type="checkbox"/> GP7 – Reliability & Resiliency                |  |

### **SUMMARY:**

Tacoma Power requests approval by the Public Utility Board to modify Schedule Electrofuel Service Pilot, effective on January 1, 2025.

### **BACKGROUND:**

Tacoma Power implemented TMC 12.06.373 Electrofuel Service Pilot (Schedule EF) on April 1, 2021. Schedule EF is a pilot program limited to 65 MW of total load to serve customers who use a large quantity of electricity to produce hydrogen fuels. Schedule EF provides discounted rates based on system average cost but requires that customers' electricity consumption be interrupted at Tacoma Power's discretion to avoid the expensive purchase of additional power. Currently, there are no customers on Schedule EF.

The power market dynamic has changed since the implementation of the pilot program in 2021. The current incremental cost of serving a new large electric load, especially the cost of supplying them with a large amount of carbon-free power, is exceedingly high. If Tacoma Power continues to offer Schedule EF under the existing rate structure, the large incremental cost caused by customers under Schedule EF will lead to substantial rate increases for all existing customers. Furthermore, the addition of such a large load can potentially cause system-wide capacity shortages in some months, jeopardizing Tacoma Power's resource adequacy.

To avoid cost shifting and ensure resource adequacy, Tacoma Power proposes to modify Schedule EF to align it with Schedule Very Large Load (VLL) which is designed for customers with a load requirement of 10 average megawatt or more over any consecutive 12-month period. Under Schedule VLL and the modified Schedule EF, large load customers will pay for the costs of new resources dedicated to their use. The power supply rate will be based on the incremental cost of serving these customers. As for the power delivery and customer-related rates, Tacoma Power will charge the same delivery charge and customer charge as the otherwise applicable rate schedules based on the system average cost. This modification is consistent with the cost-causation principle in rate making.



## Board Action Memorandum

In addition, under the modified Schedule EF, we will offer demand response programs to EF customers that can be better tailored to their operation. The interruptibility requirement under the current Schedule EF is too stringent for most, if not all, potential customers.

This amendment to Schedule EF will not negatively impact any existing customers since there are no customers on this schedule.

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? No**

**IF THE EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW IT IS TO BE COVERED.**

Tacoma Power currently does not have any customers on Schedule EF.

**IF THE ACTION REQUESTED IS APPROVAL OF A CONTRACT, INCLUDE LANGUAGE IN RESOLUTION AUTHORIZING \$200,000 INCREASE IN ADMINISTRATIVE AUTHORITY TO DIRECTOR? No**

**ATTACHMENTS:** List any attachments (contracts, policies, agreements, etc.).  
Proposed Amendments to Section 12.06.373 of the Tacoma Municipal Code

**CONTACT:**

Primary Contact: Jing Liu, Rates & Forecasting Manager, Tacoma Power

Supervisor's Name: Ying Hall, Section Manager, Power Utility

Presenter (if different from primary contact): Ying Hall, Section Manager, Power Utility



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Jackie Flowers, Director of Utilities, Tacoma Public Utilities  
**COPY:** City Council and City Clerk  
**SUBJECT:** Proposed Rate Ordinance—Amend and revise TMC Chapter 12.06 regarding Schedule Electrofuel Service Pilot  
**DATE:** November 19, 2024

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**SUMMARY AND PURPOSE:**

Tacoma Power requests approval by the City Council to amend TMC 12.06.373 concerning Schedule Electrofuel Service Pilot (Schedule EF) to align with Schedule Very Large Load (Schedule VLL), to adequately reflect the costs of serving large new customers, effective on January 1, 2025.

**BACKGROUND:**

**The Department’s recommendation is based on:** Tacoma Power implemented TMC 12.06.373 Electrofuel Service Pilot (Schedule EF) on April 1, 2021. Schedule EF is a pilot program limited to 65 MW of total load to serve customers who use a large quantity of electricity to produce hydrogen fuels. Schedule EF provides discounted rates based on system average cost but requires that customers’ electricity consumption be interrupted at Tacoma Power’s discretion to avoid the expensive purchase of additional power. Currently, there are no customers on Schedule EF.

The power market dynamic has changed since the implementation of the pilot program in 2021. The current incremental cost of serving a new large electric load, especially the cost of supplying them with a large amount of carbon-free power, is exceedingly high. If Tacoma Power continues to offer Schedule EF under the existing rate structure, the large incremental cost caused by customers under Schedule EF will lead to substantial rate increases for all existing customers. Furthermore, the addition of such a large load can potentially cause system-wide capacity shortages in some months, jeopardizing Tacoma Power’s resource adequacy.

To avoid cost shifting and ensure resource adequacy, Tacoma Power proposes to modify Schedule EF to align it with Schedule Very Large Load (VLL) which is designed for customers with a load requirement of 10 average megawatt or more over any consecutive 12-month period. Under Schedule VLL and the modified Schedule EF, large load customers will pay for the costs of new resources dedicated to their use. The power supply rate will be based on the incremental cost of serving them. As for the power delivery and customer-related rates, Tacoma Power will charge the same delivery charge and customer charge as the otherwise applicable rate schedules based on the system average cost. This modification is consistent with the cost-causation principle in rate making.

In addition, under the modified Schedule EF, we will offer demand response programs to interested EF customers that can be better tailored to their operation. The interruptibility requirement under the current Schedule EF is too stringent for most, if not all, potential customers.

This amendment to Schedule EF will not negatively impact any existing customers since there are no customers on the schedule.

**COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:**

Tacoma Power has no customers on Schedule EF.



**ALTERNATIVES:**

Click or tap here to enter text.

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Do not modify Schedule EF to align with Schedule VLL	No action is needed	<ul style="list-style-type: none"> <li>• Potential capacity shortages</li> <li>• Large rate increases for existing customers</li> </ul>
2.		
3.		

**EVALUATION AND FOLLOW UP:**

Tacoma Power will continue to monitor interest in Schedule EF.

**STAFF/SPONSOR RECOMMENDATION:**

Tacoma Power requests approval by the City Council of a modification of Schedule Electrofuel Service Pilot to align with Schedule Very Large Load, effective on January 1, 2025.

**FISCAL IMPACT:**

N/A

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1.			
2.			
<b>TOTAL</b>			



City of Tacoma

City Council Action Memorandum

**What Funding is being used to support the expense?**

N/A

**Are the expenditures and revenues planned and budgeted in this biennium's current budget?**

YES

N/A, as there are no revenues and expenses related to this schedule currently.

**Are there financial costs or other impacts of not implementing the legislation?**

YES

The potential financial costs to Tacoma Power could be quite significant, and this revision is a way to avoid those costs.

**Will the legislation have an ongoing/recurring fiscal impact?**

NO

**Will the legislation change the City's FTE/personnel counts?**

NO

**ATTACHMENTS:**

- Proposed Amendments to TMC 12.06.373



**EXHIBIT "A"**

**CHAPTER 12.06**

**ELECTRIC ENERGY – REGULATIONS AND RATES<sup>1</sup>**

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12.06.373 Electrofuel service pilot – Schedule EF.

A. Applicability.

For new loads with power used for the electrochemical production of hydrogen fuels ("electrofuel") usable for transportation or electrical energy storage, where a demand meter is installed, and where the customer does not require the use of Tacoma Power's high-to-medium voltage transformation or distribution facilities. For this schedule, each new electrofuel customer's load requirement shall be at 10 average megawatts (aMW) or more within any consecutive 12-month period. Electrofuel customers whose load requirement is lower than 10 aMW will be placed at other applicable rate schedules. No more than 65 MW of total load shall be served on this schedule. Unless otherwise extended, this rate schedule shall be closed to new customers in 2030.

B. Availability- Minimum Condition.

Upon the execution of a written Power Service Agreement (Contract) with Tacoma Power, which shall require, among other conditions:

- 1. Curtailment of the load upon request of Tacoma Power within 10 minutes or less;
- 2. A maximum number of hours for which Tacoma Power is entitled to curtail load. Such maximum shall be no less than 1,218 hours per year, and Tacoma Power shall reserve the right to elect to curtail for fewer hours;
- 3. Penalty for failure to curtail load according to Contract requirements;
- 4. Delivery of power at one primary voltage;
- 5. Metering at primary voltage but in no case at less than nominal 4,160 volts; and
- 6. Power factor adjustment to 95 percent lagging or better.

For very large power use upon the execution of a written Power Service Agreement (Contract) with Tacoma Power, which shall require among other conditions:

- 1. A minimum Contract Demand (as set forth in the Contract) of not less than 10 megawatts;
- 2. Delivery of power at one primary voltage;
- 3. Metering at primary voltage but in no case at less than nominal 4,160 volts;
- 4. Power factor adjustment to 95 percent lagging or better;
- 5. Service is subject to curtailment;
- 6. The new power supply resource acquisition to serve the customer may be based on a Power Purchase Agreement (PPA) Tacoma Power enters with an independent power provider. If the underlying PPA is terminated for any reason, Tacoma Power may look for a different power supply resource for the customer and shall have the right to amend the Contract based on the new resource costs and terms.
- 7. Service is subject to the evaluation and approval of Tacoma Power's Transmission and Distribution department. Customer is responsible for the cost of substation and other necessary infrastructure to serve their load.

Provisions described above reflect the minimum stringency of Contract terms; additional terms will be added as determined necessary by Tacoma Power.

C. Monthly Rate.

The sum of the following volumetric, delivery, and monthly charges:

- 1. Energy: All energy measured in kilowatt-hours at \$0.033147 per kWh.

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<sup>1</sup> Prior legislation: Ords. 16486, 16718, 16729, 16979, 17181, 17335, 17652, 17740, 18074, 18121, 18378, 18379, 18577, 18654, 18705 and 19120.

Tacoma Municipal Code

~~2. Delivery: All kilowatts of Billing Demand delivered at \$5.72 per kW.~~

~~3. Customer Charge: Calculated on a monthly basis, invoiced, and collected pursuant to the applicable customer service policies: \$7,445.00 per month. The sum of the applicable power supply charge, delivery charge and customer charge as set forth in TMC 12.06.266 Very large load service of 10 aMW or more – Schedule VLL.~~

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D. Billing Demand.

Determined by means of a demand meter, 30-minute interval, reset monthly. The Billing Demand shall be the highest of:

- 1. The highest measured demand for the month adjusted for power factor, or
- 2. 60 percent of the highest measured demand occurring during any of the preceding 11 months after adjustment for power factor, or
- 3. 60 percent of the highest Contract Demand (as set forth in the Contract).

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For purposes of the determination of Billing Demand in subsection 2 above, the 11 months of history shall be carried forward from the customer's previous account(s).

E. Demand Response Option.

~~Any electrofuel customer under this rate schedule may elect to participate in a demand response program with demand response credits, terms and conditions determined by Tacoma Power. Tacoma Power is authorized to create and implement demand response credits appropriate for each electrofuel customer in a manner that assures that other customers are not subsidizing the electrofuel customer and consistent with this section. The demand response program will provide the customer with credits for temporary curtailing electricity consumption upon Tacoma Power's request during certain events, such as peak system load or high market prices, or for shifting the timing in electricity consumption based on financial incentive constructs. The demand response credits will be based on the value of the customers' curtailed consumption to Tacoma Power, minus the costs incurred by Tacoma Power to offer the program. The demand response program details will be further defined in the Contract.~~

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EF. Service Conditions.

- 1. Power factor provision applicable.
- 2. Applicable provisions of the Tacoma Municipal Code, General Provisions, and Customer Service Policies governing the sale of electric energy and delivery services shall apply.

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